



Voluntary Report - public distribution

Date: 12/20/2002

GAIN Report #IN2086

## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #12

## 2002

Approved by:

**Chad R. Russell**

**U.S. Embassy, New Delhi**

Prepared by:

A. Govindan, Santosh Kr. Singh, V. Shunmugam

---

#### Report Highlights:

**\*India must go beyond slogans against trade pact ...\*, \*... Like minded must align at WTO\*, \*Bt cotton satisfactory: Government\*, \*Cell likely to monitor imports\*, \*Interest waived on farm loans\*, \*Luster-lost wheat prices cut for domestic market\*, \*Cargill allowed to set up commodity trading arm\*, \*FDI not permitted in retail trade\*, \*Chocolate sale outstrip competing products\*, \*Ruchi to expand Indore refinery:\***

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy

### **INDIA MUST GO BEYOND SLOGANS AGAINST TRADE PACT ...**

Addressing a session on WTO at the annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI), Indian Commerce Minister Arun Shourie stated that India runs the risk of being isolated if the country were to maintain an attitude of negativism and suspicion about the benefits of an effective engagement at the WTO. "India has no alternative but to engage the world. We can disengage and become like Myanmar, raise duties but that is not the solution", Mr. Shourie remarked. Mr. Shourie said that India should stop looking at the WTO as some sort of a "hwa" (spectre) and get frightened about it. (Source: Business Line, 12/13/02).

### **... LIKE MINDED MUST ALIGN AT WTO**

As issues of concern for developed countries were progressing fast in WTO negotiations but not those of developing world, India should make alliances with such countries which could benefit us, Commerce Minister Arun Shourie said, presiding over the consultative committee meeting of the his Ministry. The Minister shared the members' concern over the plight of farmers and the domestic industry and said the government was fully aware to these problems. "The answer in the long run is not yes or no to the WTO but our own competitiveness", the Minister stated. (Source: Business Line, 12/19/02)

### **BT COTTON SATISFACTORY: GOVERNMENT**

India's Minister for Environment and Forests told the upper house of the parliament on 15th December, 2002 that the performance of the Bt cotton released by Monsanto-Mahyco is satisfactory. He said that the performance in terms of higher number of bolls, reduced number of sprays for control of bollworms and higher yields has been found up to the mark. The minister accepted that in some places, it's the drought, or vagaries of weather, which has defeated the crop. A team of officials from the Ministry of Environment and Forests, Agriculture, and Department of Biotechnology scientists who visited the Bt cotton fields in about six states have also found that the 'refuge' row condition has largely been met as the company also supplied the non-Bt cotton seeds along with the Bt cotton seeds adhering to the directives of the Genetic Engineering Approval Committee. (Source: Times of India, 12/14/2002)

### **CELL LIKELY TO MONITOR IMPORTS**

The government is considering the set up of a permanent investigative cell within the Directorate General of Foreign Trade to monitor surges in imports of sensitive items. Currently, this activity is

being handled by a committee consisting of the Secretaries of Commerce, Revenue, Agriculture, and Small Scale Industries, which functions as a 'war-room' for tracking, collating and analyzing data on imports of 300 sensitive items which are of importance to the public. (Source: Economic Times, 12/19/02)

### **INTEREST WAIVED ON FARM LOANS**

Succumbing to pressure from the Agriculture Ministry and State governments, the government decided to grant complete interest waiver on crop loans availed by farmers during the drought affected *kharif* (monsoon season) crop this year. This would result in banks foregoing interest income of over rs. 20 billion (\$ 415 million). It is unclear whether the banks will be reimbursed the interest income foregone, but the press report quoting a senior Finance Ministry official says that the Central Government would provide reimbursement of up to rs. 5 billion and the remaining liability may have to be borne by State Governments and the banks. Total crop loan disbursed during the season is reported to be rs. 208.1 billion (\$4.32 billion) in the 14 drought affected states, the interest liability of which will be around rs. 20.3 billion (\$421 million). (Source: Business Line, 12/19/02)

### **LUSTER-LOST WHEAT PRICES CUT FOR DOMESTIC MARKET**

In an attempt to dispose off luster-lost wheat (rain-damaged wheat procured from north India in 2001) in government warehouses before the quality further deteriorates, the government has reduced the sales price of this type of wheat by rs. 300 per metric ton to rs. 5,800 (\$120.3) per ton, ex-FCI warehouse for domestic sale. Similar wheat is made available for exports at rs. 3,960 (\$82.2) per metric ton, delivered at port, which will remain unchanged up to March 31, 2003. The government is still holding around 5 million tons of luster-lost wheat, mostly in Punjab. Around 4 million tons of this type of wheat were already exported, and 2 million tons were sold in the domestic market. (Source: Economic Times, 12/19/02).

### **CARGILL ALLOWED TO SET UP COMMODITY TRADING ARM**

The government has allowed Cargill to set up a wholly-owned subsidiary in India for commodity trading, financing, and advisory services. This makes Cargill the first multinational trading conglomerate to have two subsidiaries in India focused on agricultural commodity procurement, trade, and finance business. Indian Cargill's new subsidiary is keen to finance third-country exports, but will not be entering the retail commodity market by selling staples. (Source: Economic Times, 12/13/02)

### **FDI NOT PERMITTED IN RETAIL TRADE**

Responding to a query from an opposition member, Disinvestment Minister Arun Shourie announced that the government does not have any proposal to allow foreign direct investment (FDI) in retail trade. Denying alleged rumors on differences within the government on FDI in retail trade, the minister strongly reiterated the issue had never come up for discussion before the group of ministers on FDI. (Source: Tribune, 12/17/02)

### **CHOCOLATE SALE OUTSTRIP COMPETING PRODUCTS**

Chocolates are flying off the shelves faster than hot cakes. According to retail audit data, the growth in sales is above 12.6 percent during 2001/02 despite decline in life style spending. Growth in some of the other life style products like malted beverages and milk food have declined by 3.7 percent and 11.7 percent respectively. The launch of lower priced smaller bars and positioning of chocolate as a substitute of traditional sweets has boosted consumption. A study has projected sales of the Indian chocolate industry to rise from \$ 175-180 million in 2000 to \$ 450 million in 2005. However, per capita consumption continues to be low at about 200 gm per person. The major domestic players are Cadbury, Nestle and Amul. (Source: Business Line, 12/13/02)

#### **RUCHI TO EXPAND INDORE REFINERY:**

Trying to keep pace with other competitors in the market, Ruchi Soya Industries, the country's biggest player in edible oils, is expanding and upgrading its refinery in Indore for imported crude palm oil. Realizing that size is now the key to success for Indian edible oil refineries, the company plans to expand the Indore refinery from the present 600 tons per day (tpd) to around 1,200 tpd apart from an existing vanaspati capacity of 200 tpd. The company is also upgrading the plant for physical refining of crude palm oil, which is India's biggest edible oil import.

(Source: Economic Times, 12/18/2002)

#### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

<i>REPORT#</i>	<i>SUBJECT</i>	<i>DATE SUBMITTED</i>
IN2085	Weekly Highlights & Hot Bites, #11	12/13/2002

#### **WE ARE ON THE NET**

We are available at <http://www.usembassy.state.gov/posts/in1/www43.html> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

#### **FAS/NEWDELHI EMAIL**

To reach us at FAS/New Delhi, email us at [\\_AgNewDelhi@fas.usda.gov](mailto:_AgNewDelhi@fas.usda.gov).